

Message Text

CONFIDENTIAL

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----053777 141641Z /41
O 141624Z JUL 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 0848
INFO USMISSION GENEVA IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 08030

EXDIS

USEEC

PASS STR ELECTRONICALLY FOR STRAUSS

GENEVA FOR SMITH

EO 11652:GDS
TAGS: ETRD, EEC
SUBJECT: TEXTILES: MFA RENEWAL

1. I CALLED DAVIGNON JULY 14 TO DISCUSS MY CONCERN OVER MFA NEGOTIATING SITUATION. HE TOLD ME OF HIS BRIEF JULY 13 TELEPHONE CONVERSATION WITH AMBASSADOR STRAUSS. FOR OUR FULLER UNDERSTANDING HE WANTED TO PROVIDE ME HIS ANALYSIS OF SITUATION AND HIS STRATEGY RELYING ON US TO USE IT FOR DISCRETE BACKGROUND INFORMATION ONLY. HE HAS ALSO TALKED WITH OLIVIER LONG BUT HE DID NOT TELL ME HOW HE HAD PLAYED THAT CONVERSATION.
 2. DAVIGNON ALLEGED BASIC EC POSITION WAS REALLY THE SAME AS IT HAD BEEN DESCRIBED TO STRAUSS AT LUNCH JULY 11. ACCORDING TO HIM, WHAT HAD GONE WRONG WAS LDC INSISTENCE ON SENTENCE IN CHAIRMAN'S DRAFT SUMMING-UP THAT WOULD NEGATE WHAT COMMUNITY WAS SEEKING TO ACHIEVE
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IN OTHER PARTS OF SUMMARY. CRUX OF ISSUE ACCORDING TO DAVIGNON WAS LDC INSISTENCE THAT EC OBJECTIVES IN BI-LATERALS WITH HONGKONG, SOUTH KOREA AND TAIWAN HAD TO BE ACHIEVED ON BASIS COMPATIBLE WITH ANNEX B. SUCH A STATEMENT, IN HIS VIEW, WAS UNNECESSARY AND CERTAINLY UNACCEPTABLE TO FRENCH, BRITISH AND PROBABLY DUTCH AS WELL.

3. HE SAID HIS STRATEGY DISTINGUISHED BETWEEN LEGAL VIEW THAT MFA SHOULD BE RENEWED AT YEAR-END WITHOUT CHANGE AND POLITICAL IMPERATIVE REACH CONSENSUS IN JULY CONCERNING WHAT WAS TO RESULT FROM KEY BILATERAL NEGOTIATIONS WITH HONGKONG, SOUTH KOREA, AND TAIWAN.

4. "WE HAVE TO BE IN POSITION TO NEGOTIATE EFFECTIVE BILATERALS, BUT WE ARE NOT ASKING FOR A BLANK CHECK". THE US SHOULD UNDERSTAND, HE SAID, THAT THE COMMISSION'S JULY 12 DEMAND FOR A WAIVER WAS A NEGOTIATING TACTIC DESIGNED TO KNOCK OUT LDC INSISTENCE ON A SENTENCE CONFIRMING THE SANCTITY OF ANNEX B. WITH ADEQUATE ASSURANCES FROM HONGKONG, SOUTH KOREA AND TAIWAN AND DELETION OF THE OFFENDING SENTENCE, HE WILL BRING THE COMMUNITY TO GO ALONG WITH THE CHAIRMAN'S SUMMARY. HE URGED THAT WE NOT MISUNDERSTAND HIS NEGOTIATING TACTICS.

5. I TOLD HIM I WAS AT CONSIDERABLE DISADVANTAGE NOT HAVING THE TEXTS THAT HE HAD BUT THAT I THOUGHT I UNDERSTOOD WHAT HE WAS DRIVING AT. I ADDED, HOWEVER, THAT I HAD BEEN TOLD BY OUR NEGOTIATORS THAT THE COMMUNITY WAS SEEKING A 50 PERCENT ROLLBACK FROM HONGKONG, SOUTH KOREA, AND TAIWAN. HE INDIGNANTLY DENIED THIS AND SAID SUCH STATEMENTS WERE BEING PUT ABOUT BUT THE TRUTH WAS THAT THE COMMUNITY IN BILATERALS WITH THESE COUNTRIES WANTED

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ONLY TO STABILIZE TRADE IN SENSITIVE ITEMS AT THE 76 LEVEL. THIS CHECKS WITH INITIAL STATEMENT OF COMMISSION NEGOTIATOR.

6. HE AGREED SITUATION WAS DIFFICULT; SAID HE WAS TELLING MEMBER STATES THAT ACTUAL RENEWAL OF AGREEMENT IN LEGAL SENSE IN DECEMBER WOULD, OF COURSE, DEPEND ON SUCCESSFUL NEGOTIATION OF BILATERALS. WITH THAT ASSURANCE PROVIDED LDCS DID NOT INSIST ON ANNEX B POINT, COMMUNITY COULD AGREE WITH CHAIRMAN'S SUMMING UP TO EFFECT THAT MFA SHOULD BE RENEWED WITHOUT FORMAL AMENDMENT.

7. HE TOLD ME HIS PEOPLE WERE REPORTING THAT US DELEGATION HAD BEEN MOST HELPFUL THESE LAST FEW DAYS AND HE AGAIN URGED THAT WE NOT NOW COMPLICATE MATTERS.

7. COMMENT: THE COMMUNITY HAS NEVER HIDDEN ITS INTENTION IN ITS BILATERALS WITH MAJOR SUPPLIERS TO VIOLATE ANNEX B RULES -- INDEED IT EXPLICITLY SAID AS MUCH IN ITS OPENING STATEMENT. IT ALSO SAID:

"THIS POLICY, WHICH IS OF FUNDAMENTAL IMPORTANCE FOR THE COMMUNITY, CAN BE IMPLEMENTED WITHIN THE FRAME-

WORK OF THE PRESENT MFA. IF THIS VIEW WERE CONTESTED
BY OTHER PARTICIPATING COUNTRIES, HOWEVER, THE
COMMUNITY WOULD HAVE NO ALTERNATIVE BUT TO SEEK
FORMAL CHANGES IN THE ACTUAL TERMS OF THE
ARRANGEMENT."

IN MY JUDGMENT REAL CHOICE FOR US AND FOR LDCS IS TO
ACCEPT THIS POLITICAL FACT OF LIFE OR TO FOREGO, AT LEAST T
UNTIL THE BILATERALS ARE CONCLUDED, OUR DESIRE FOR MFA

NOTE: NOT PASSED STR BY OC/T.

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 08030

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RENEWAL "WITHOUT AMENDMENT". IT IS A LOUSY CHOICE, BUT
MY PREFERENCE IF FOR PRAGMATISM NOT PRINCIPLE. IT WOULD
BE HARDER FOR THE FRENCH TOTALLY TO UNDO THE MFA IN
DECEMBER THAN IN JULY. HINTON

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